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State Auditor Tom Salmon: Vermont's accounts payable system working well, but team identified \$265,000 in duplicate payments

Eleven of 75 state departments made duplicate payments in 2007 or 2008, but generally followed the state's procedures for paying bills accurately

MONTPELIER – The State of Vermont pays businesses, individuals and organizations about \$4 billion a year through its central accounting system. Today State Auditor Tom Salmon released two reports that used analytical software to filter through 1 million vouchers and 580,000 payments worth almost \$8 billion from calendar years 2007 and 2008. Vouchers are documents that authorize a payment to a vendor, and several vouchers for the same business may support a single payment, Salmon noted.

“In times like these, you don’t want to lose any funds due to improper payments,” Salmon said. “Overall, we found that most departments are doing a pretty good job paying bills according to the procedures and best practices recommended by the Department of Finance and Management,” he said.

“Our analysis looked mainly for duplicate payments,” Salmon said, “and in our sample of questionable transactions, we identified about \$265,000 from 52 vouchers that were duplicate payments to vendors. At the time of the review, about \$61,000 remained outstanding, while about \$202,000 had been repaid to the state.

“Duplicates are just one type of improper payment,” he said. “Others include paying for something not received, paying too much, making payments to ineligible beneficiaries, or paying bills that are fraudulent in some way.”

The improper payments included a vehicle repair bill for \$2,616 where the original invoice was paid once, and again was paid later from a carbon copy maintenance slip submitted by the driver. In another instance, a department paid an original invoice for materials totaling \$3,163. The same amount was paid again from an account statement received the following month. While the state issues payments centrally, most invoices are entered into the payment system at various departments located around the state, Salmon said.

Salmon said two audit reports on the project have been posted to the auditor's website.

Improper Payments: Internal Control Weaknesses Expose the state to Improper Payments

Improper Payments: Results of Review of VISION Payments Made During 2007 and 2008

Both reports are available online at: www.auditor.vermont.gov. Click on "Performance Audits" on the bottom righthand side of the home page. Reports can also be mailed to you by calling 1-877-290-1400.

The auditors also looked at how well state departments were adhering to internal control recommendations. They found that only 12 percent of departments reviewed had implemented all of the control areas addressed, which included these criteria:

- a. department has written procedures for accounts payable;
- b. payments are authorized only from original invoices;
- c. department maintains a one-to-one relationship regarding invoices and vouchers (to avoid splitting invoices into multiple payments);
- d. department maintains a list of employees authorized to approve invoices;
- e. duties are segregated – the jobs of approving invoices and posting them to the system for payment should be assigned to different people; and
- f. invoices are received and processed at a central location.

On a positive note, auditors found that 72 percent of the departments have implemented at least four of the controls.

Auditors made a number of recommendations to strengthen the state's bill paying process, including:

- a. put together a comprehensive accounts payable user manual;
- b. provide additional training for staff paying bills;
- c. change the VISION system to restrict the same person from both entering and approving payments; and
- d. develop new measures to reduce the risk of people circumventing the system's duplicate detection system.

"There are a lot of complex aspects to paying bills in state government," Salmon said, "and I hope these reports will help the Administration fine-tune its systems to improve the integrity and accuracy of the bill-paying process."